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ABSTRACT

The most remarkable trend in the U.S. labor force over the past 3 decades has been the entrance of more and more mothers of young children. In 1985, a total of 54 percent of the women with children under 6 years of age were working--four times the 1950 level. This report summarizes recent trends in labor force participation and outlines some of the obstacles faced by working mothers as they attempt to juggle job and family responsibilities. It shows that the lack of affordable child care is probably preventing many poorly educated and low-income mothers from working at all, when they are the women who need jobs the most. Discussion focuses on (1) why more women are working; (2) documenting the trends; (3) combining family and jobs; (4) balancing personal and professional lives; (5) caring for children at work; (6) characteristics of the young mother, the delayed childbearer, the unmarried mother, and the young single mother; (7) child care problems; (8) actual child care choices working mothers make; (9) the increasing demand for child care services; (10) the child care industry; (11) public policy issues; and (12) the outlook for the future. The report is illustrated with black and white photographs and color charts. (RH)

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Juggling Jobs and Babies:

America's Child Care Challenge

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Juggling Jobs and Babies: America's Child Care Challenge

Summary

The most remarkable trend in the U.S. labor force over the past three decades has been the entrance of more and more mothers of young children. In 1985, 54 percent of the women with children under age 6 were working—four times the 1950 level. Whether these women are low-income single mothers working out of economic necessity or married professionals working for personal fulfillment and a better lifestyle, they face a similar dilemma: how to care for their children.

Because this is a fairly new phenomenon, the infrastructure supporting a child care industry for preschool children is only beginning to emerge. Confronted with inadequate child care and outdated personnel policies, these women are pioneering new frontiers in many areas with important policy implications. This report summarizes the recent trends in labor force participation and outlines some of the obstacles faced by working mothers as they attempt to juggle job and family responsibilities. It shows that the lack of affordable child care is probably preventing many poorly educated and low-income mothers from working at all, when they are the women who need jobs the most.

Child care is expensive, making it a major household budget item. Low-income mothers may need free babysitting by relatives in order to work. But most women must pay for child care. Many are relying on babysitters or group centers away from home which cost $50 to $100 per week.

Policy responses to the need for more flexible personnel policies and more affordable child care have been varied and inconsistent, reflecting ambivalence about whether it is in the public interest to make it easier or harder for mothers to work outside the home while their children are young. But women are expected to retain and even increase their share of the American work force. The need for quality child care arrangements will also increase.

Employers are beginning to initiate some new policies which ease the child care burden on mothers, directly or indirectly, including:

- more flexible work schedules which facilitate child care arrangements
- job benefits which include payment for child care
- employer-sponsored on-site child care centers
- more liberal maternity and paternity leave
- use of sick leave to care for children

But only a small fraction of American women are now eligible for such benefits. Most employers will need coaxing by federal, state, and local governments to adopt progressive child care policies, even though such actions might actually serve their own interests by improving employee loyalty and job satisfaction.

Public policymakers from the federal down to the local level are becoming more involved in the child care dilemmas faced by working women. Policies enacted include tax credits for child care costs, federally funded child care for some low-income parents, regulation of the child care industry, and tax rulings on flexible employee benefits plans.

The 1986 tax law retains the tax credit for child care but includes other provisions which may complicate job decisions for some mothers. The U.S. Congress is considering many other laws with implications for parents including a liberalization of maternity and paternity leave benefits. Local governments are active in encouraging employee-sponsored child care and in the regulation of care providers.

The continued demand for child care by working parents and the growing influence of women in the workplace may encourage broader changes in personnel benefits, tax laws, and other aspects of women's lives that will make juggling jobs and babies a little easier.

Juggling Jobs and Babies: America's Child Care Challenge

by Martin O'Connell and David E. Bloom

The past three decades have seen profound changes in the labor market activity of American women. The 53 million women in the labor force in 1986, 44 percent of the civilian work force, were over three times the number working just after World War II. But the most remarkable aspect of the feminization of the American work force has been the growing involvement of women with preschool-age children. Barely one out of every eight married women with a child under age 6 was working in 1950; this statistic skyrocketed to more than one of every two women by 1985. This trend, showing few signs of abating in the near future, has catapulted the child care concerns of American families out of the home and into the economic and political arena of employers, government policymakers, and local regulatory agencies governing the operations of child care centers.

Increases in the number and proportion of children living with single mothers—whether separated, divorced, widowed, or never married—raise numerous issues for employers and policymakers on how to accommodate the child care needs of these mothers. In 1985, one-fourth of all working mothers with dependent children were not currently married. One-fourth of these women failed to receive child support payments owed by the child's father, and 40 percent were not awarded any child support payments at all.[1] There is a great deal of pressure on an unmarried mother to work: she is usually the principal breadwinner for her family.

Why More Women are Working

There is no simple explanation for the skyrocketing labor force participation rates* of women. Rather, it appears that these trends arise from a complex set of factors. First, labor shortages experienced during World War II drew record numbers of women into the job market. Most of these women left their jobs at the war's end when returning veterans sought jobs and America entered the Baby Boom. However, many women stayed in the labor force after the war, contributing to the social acceptability of women working outside the home.

Child care issues have become a national concern.

A second critical factor which favored women entering the work force was the introduction of the contraceptive pill in the late 1960s. Widespread use of this first really convenient and effective contraceptive enabled women to choose if and when to have children. This newfound freedom led many women to postpone childbearing to continue their education and begin a career. Also, with marriage rates declining and divorce rates increasing, many women faced the need to be economically independent.

A third factor of some importance is the eco-

*The **labor force** includes persons over age 15 who are working or looking for work. The **labor force participation rate** is the ratio of the number of persons in the labor force to the total number of persons over age 15 in the population.

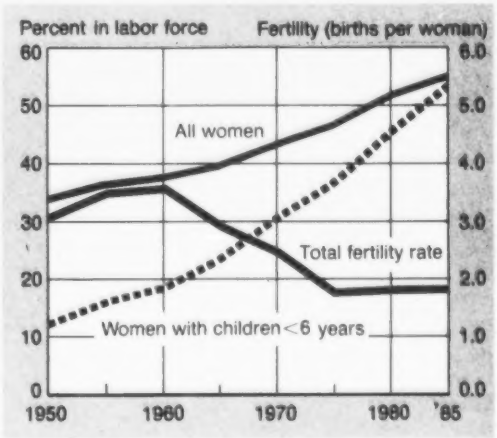
nomic problems faced by the Baby Boom cohorts when they reached working ages. The 76 million Baby Boomers, born between 1946 and 1964, overwhelmed the labor market because there were not enough new jobs. They earned relatively low wages and suffered from high unemployment rates.[2] Two incomes, especially during a long period of inflation, became necessary for many couples to attain a desirable standard of living.

Many other factors, such as the growth of traditionally female jobs in the service sector, operated to lure women into the paying work force. It is equally significant that these factors operated against the backdrop of social revolution in the 1960s and 1970s which facilitated the rejection of old values. One of the major casualties was the prestige of the American housewife who was often viewed as a servant to children and husband.

Documenting the Trends

In 1950, only one in three females aged 16 and over were either at work or looking for work. But the 1960s marked a turning point in the demographic composition of the labor force and the emergence of the current trend among women to enter and stay in the labor force (see Figure 1). This trend coincided with a sharp decline in the birth rate from an average of 3.7 children per woman during the peak of the Baby Boom in 1957

Figure 1
Labor force participation for all women and women with preschool children and total fertility rate, 1950-1985*



*Average number of children per woman

Source: ref. 1

Many mothers of young children are working even if they plan another child soon.

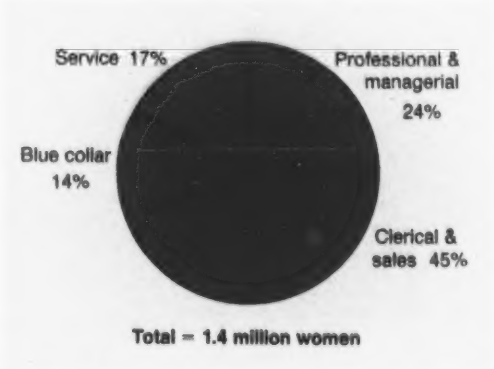
to 1.8 children by 1975, where it has remained during the 1980s. As expected, fewer children and delayed childbearing prompted more women to enter the labor force, but the rate for women with dependent children increased even more sharply than for all women. By 1985, 54 percent of the women with children under age 6 were working, only 1 percentage point below the rate for all women. Even more remarkable was the increase in the rate for women with newborn children, from 31 to 48 percent between 1976 and 1985.[3]

There has also been some change in the types of jobs women do. However, with some exceptions, the segregation of women in certain types of jobs continues. Women still predominate in schoolteaching, secretarial positions, and nursing. Few women work as firefighters, construction workers, or engineers, although their representation in non-traditional jobs is increasing.

More women are entering the male-dominated professions. While 20 percent of lawyers and 18 percent of medical doctors were women in 1986, in 1970 women accounted for only 5 and 10 percent of these professions. In fact, as of February 1986, women made up a majority of all professional workers, including teachers, in the United States.[4]

But most American women work in less prestigious jobs. Figure 2 shows that, in 1985, 45 percent of the mothers of newborn children worked in clerical and sales jobs, 31 percent in service and blue collar jobs, and only 24 percent in higher paying professional and managerial positions.

Figure 2
Working women with newborn babies by occupation, 1985



Source: ref. 2

A new and somewhat surprising trend is the growing number of female entrepreneurs. From 1976 to 1986, the share of small businesses owned by women soared from 5 to 25 percent. Small Business Administration projections show that 50 percent of small businesses will be woman-owned by the end of this century.[5]

A variety of factors underlie this trend, including the growing number of two-paycheck families in which capital for starting a business may be easily available. The establishment of federal equal credit laws have made it easier for women to borrow money. Some women entrepreneurs report that they began their own business to escape employment hierarchies that discriminated against women; many others say that they wanted more flexible hours, making child care much easier.

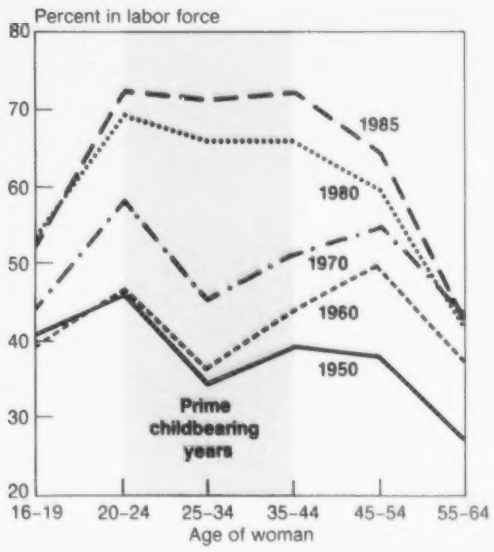
Combining Family and Jobs

A new norm has emerged in the past decade: that most women will work, regardless of their short-term plans for childbearing. In the 1950s and 1960s, women normally held jobs outside the home only before starting a family and after their children were old enough to care for themselves. Labor force participation rates by age for these years show a "double humped" profile (Figure 3), reflecting high rates in the early twenties and after age 35, but low rates between ages 25 and 35, the ages when most women are raising children. By 1985, the valley between the two humps had almost disappeared; women were not leaving the labor force during those prime childbearing years.

Part of the changed pattern of labor force activity can be explained by more women delaying childbearing or remaining childless, but it is also because women are more willing and able to intertwine jobs and family creation. In 1976, only one-third of the mothers of newborn children who wanted another child in the next five years were in the labor force, compared with nearly one-half of women who expected no future births. Clearly, these mothers were conforming to the traditional norm by staying home until completing their families.

Comparable data for 1983 show that women expecting at least one additional child within five years were just as likely to be working as mothers with no immediate plans for more children. About one-half of both groups were working.[6]

Figure 3
Labor force participation for women by age: 1950-1985



Source: ref. 3

Balancing Personal and Professional Lives

The growing number of women working raises a number of very difficult issues for them and their families. Indeed, most working women face a tremendous personal struggle in trying to balance their personal and professional lives.

Thirty years ago, the life course of a typical woman involved her graduating from high school, marrying, having children, and staying at home to care for her family. Some married women worked, but few actively planned their careers the way men did.

Today, while many still follow the old patterns, a growing number of women are establishing a new pattern in which they delay, or ultimately forego, marriage and childbearing to establish themselves in a career. Among those women who eventually do marry and have children, many interrupt their careers for just a short time to care for their children. They may switch from full-time to part-time work for a few years to maintain their jobs and keep their skills from depreciating. Only a small number of women leave their jobs permanently to concentrate on raising a family.

Many women find it extremely difficult to decide whether they are mothers who happen to work, or workers who happen to be mothers. They lack role models, facing dilemmas their mothers and grandmothers never had to confront. Their simultaneous involvement in career and mothering entangles many women in exhausting lifestyles. About one-third of working women ease this burden by hiring domestic help, although most housekeepers do less than half the necessary housework. Husbands are not much help either. A recent *Newsweek* survey found that "only 14 percent of husbands in two-earner families perform as much as half the housework, and 60 percent do less than one-quarter."

The amount of pure leisure time available to women has declined by about 20 minutes per day over the past quarter century[7] because the increase in the number of hours working for pay has not been associated with a similar decrease in the time spent on housework and child care. Leisure time is a scarce resource for working women. Working women fuel market demand for goods and services that help organize their time, such as microwave ovens, VCRs, home computers, and automated bank tellers. But the purchase of child

Most working women struggle to balance their personal and professional lives.

care services is the primary way working mothers of all income levels balance the competing demands of the workplace and family life.[8]

Caring for Children at Work

Some women are able to satisfy work and child care duties simultaneously. Table 1 shows that in 1982, 9 percent of employed mothers with preschool children cared for their youngest child while at work. About one-third of these mothers actually worked out of their homes; over one-half worked part-time.

Self-employed women have the best chance of looking after a child while at work. In 1982, one-half of the self-employed mothers of preschoolers cared for their children while at work. But 90 percent of all working mothers of preschool-age children are government or private employees where, constrained by office or factory environments, only 5 percent manage to combine child care with their jobs.

Projections of future trends in the number of mothers caring for children while at work depend upon the future structure of the workplace. Due mainly to the computer revolution, more jobs are expected to be located at home in the future. While only selected occupations could realistically be relocated to an employee's home, likely candidates include many traditional female jobs such as typing and bookkeeping.

Which Mothers Are Working: Four Profiles

The most remarkable growth in the female labor force in the postwar period has been among women with very young children. Between 1976 and 1985, especially large increases were experienced by mothers with newborns who were (1) 30 to 44 years old; (2) white; (3) divorced, separated or widowed; and (4) who had completed a year or more of college. Conversely, black women, high school dropouts, and young, unwed mothers had modest gains in labor force participation.

Some of this change can be summarized in the four profiles of American mothers presented below, which compare labor force participation rates in 1976 and 1985, based on a statistical analysis of survey data on mothers with newborn babies (see Figure 4):

1. **The Young Mother:** A young married white woman, whose first child was born before she was 24 years old. Her formal education stopped with high school graduation. The chance of her returning to work within a year of the birth of her child was 34 percent in 1976; in 1985, it was 54 percent, a substantial increase.

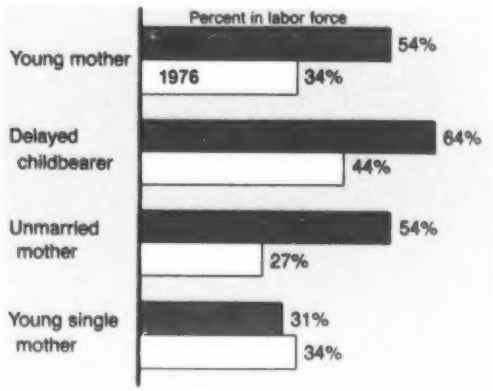
2. **The Delayed Childbearer:** A married white woman whose first child was born after age 24 and who completed some years of college. Forty-four percent of the women in this category worked in 1976. By 1985, this percentage had risen to 64 percent.

Table 1
Employed mothers caring for a preschool child while working, 1982

	Number of mothers (thousands)	Percent caring for own child		
			Place of work	
		Total	Home	Outside home
All mothers	5,087	9%	3%	6%
Full-time	3,263	6	2	4
Part-time	1,824	14	5	9
Employer				
Private	3,821	5	2	3
Government	791	2	1	1
Self-employed	391	51	12	39
Works without pay	84	51	23	28

Source: ref. 4

Figure 4
Labor force participation among mothers with newborn children, 1976 and 1985



Source: ref. 5

3. **The Unmarried Mother:** A white woman, aged 25 to 44, from the growing ranks of the formerly married. A high school graduate with two or more children, her chances of working within a year of the birth of her last child doubled in the past decade from 27 to 54 percent.

4. **The Young Single Mother:** A black woman, 18 to 24 years old, with two or more children. She has not married, nor has she finished high school. Her chances of working have actually decreased over the past decade, from 34 to 31 percent, and in relative terms, she has lost ground to her contemporaries. While less common than the other women profiled here, she is not atypical of a growing percentage of women with out-of-wedlock births.

In general the profile of the mother most likely to return to work before her baby's first birthday conforms to the human capital theories of labor force behavior: the greater the investment of time and money in education, the more rapid the return to work after childbirth to minimize losses in earnings and depreciation of job skills. In addition, an investment in schooling may indicate a great personal commitment to a career. And women who have spent many years in school may have delayed marriage and would, on average, have fewer children than less-educated women.

But it is not only potential earning power which encourages women to work, but potential wages in relation to the costs of working. For mothers of small children, child care is usually the greatest expense. The primary reason for the leveling off of labor force activity among black women and high school dropouts, who earn lower average salaries than other women, may well be a lack of affordable child care.

Child Care Problems a Major Constraint

In a special 1982 Census Bureau survey, nonworking mothers with preschool children were asked if they would look for work if child care were available to them at a "reasonable cost." Their responses, combined with actual labor force data, can be used to estimate the potential percentage of women who would seek jobs if child care were cheaper and more widely available.

The survey found that considerably more mothers of young children would work if they had access to reasonably priced child care. This is especially true for unmarried women, black women,

For mothers of young children, child care is a major expense.

women who never finished high school, and for women from low-income families (Figure 5). These are the same groups of women whose entrance into the labor force slowed during the past decade.

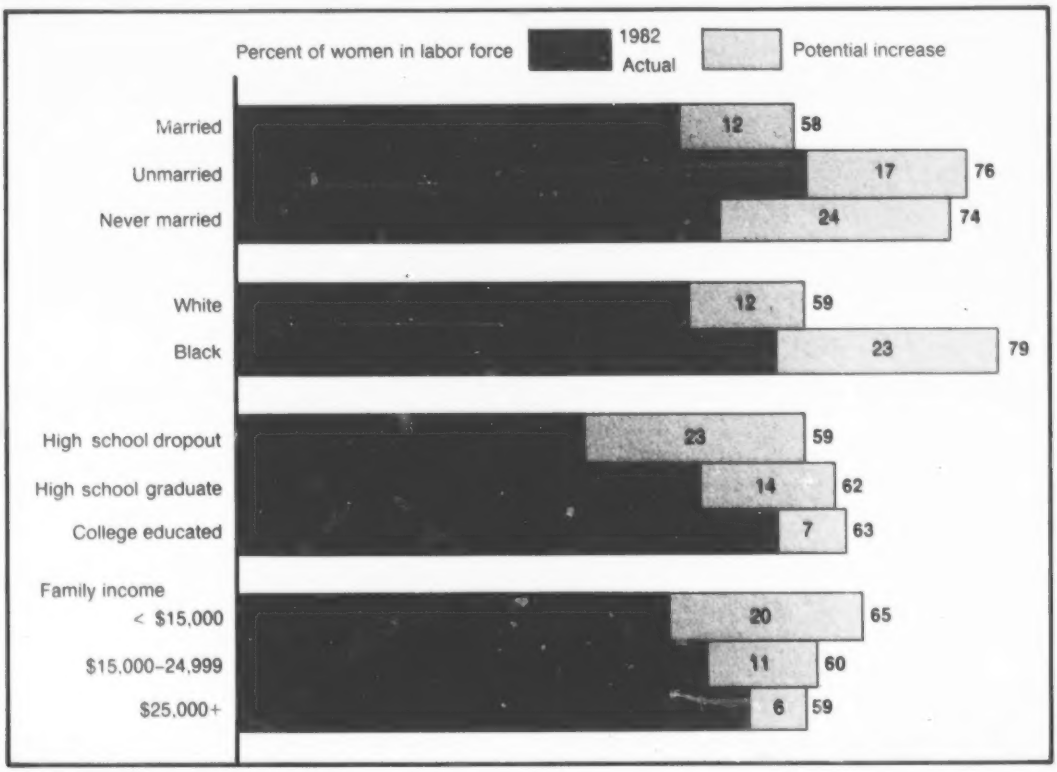
About 13 percent of women with preschoolers said they would look for work if child care were available at a reasonable cost. This figure contributes to a "potential" rate of 62 percent for women with preschool children in 1982 (i.e., the sum of the 48.1 percent already working and the 13.4 percent who said they would look for work). Child care is a greater obstacle for single than for married women. The percentage of single mothers in the labor force could increase by 24 points with more accessible child care.

The biggest gaps between actual and potential labor force rates are by educational achievement. Only 36 percent of high school dropouts with preschool children were in the labor force in 1982, 20 percentage points less than the rate for college educated women. When nonworking high school dropouts were asked if they would look for work if they had reasonably priced child care, just over one-third said they would, resulting in a potential labor force participation rate of 59 percent, almost equal to the potential rate of 63 percent for the college educated.

While these "potential participation rates" are projections that might never be realized, even if "reasonably priced" child care were available, the evidence suggests that many more mothers

Figure 5

Potential increases in 1982 labor force rates if child care were more accessible



Source: ref. 4

would work if child care services were expanded,[9] and that some of the differences in whether women work may be due to their access to child care. Indeed, Sweden, which has perhaps the world's most advanced national system of child care, also has the world's highest rate of female labor force participation.[10]

Actual Child Care Choices

How do working women care for their young children? College educated women tend to transport their children to day care centers and babysitters' homes. In contrast, less-educated women rely on relatives and neighbors for child care, as shown in Figure 6 (see page 10). The type of care also depends upon the age of the child. Infants are typically cared for in a "home environment," their own or a babysitter's, but older children are frequently placed in group care centers or nursery schools. Women with several small children often use multiple child care arrangements since many nursery schools accept only children ages 3 to 5 and relatives may only be willing to care for infants. Considering the logistics of daily commuting for these women, it is no wonder that women with two or more children are less likely to work at all.

To a large extent, the type of child care a woman chooses reflects her ability to pay for outside care and the availability of relatives and neighbors willing to babysit. Typical child care costs in four major metropolitan areas shown in Table 2 indicate that families hiring a babysitter to come to their home pay as much as $200 to $300 per week, including salaries and benefits. But for most families, in-home care is provided by grandmothers or other relatives at little or no monetary cost to the mother.

There has been a trend away from in-home to group day care for older preschoolers.

Table 2
Comparative weekly child care costs in four major cities, 1985

City	Child's age	Weekly cost: Family day care*	Weekly cost: Child care center	Weekly cost: Caregiver in child's home
Boston	under 2 years	$45-160	$90-150	$260-340
	2-5 years	40-160	75-110	
St. Louis	under 2 years	45-50	65-80	165 and up
	2-5 years	35-40	50-70	
Dallas	under 2 years	50-70	60-90	165-200
	2-5 years	35-70	50-70	
San Francisco	under 2 years	55-90	90-120	165-200
	2-5 years	55-85	65-90	

*Outside child's own home

Source: ref. 6

Child care away from home, in group care centers or a babysitter's own house, costs about $50 to $100 per child weekly. Since it is less expensive than paying for in-home care, this is the option chosen by about two-thirds of the working mothers with preschoolers. Unless mothers have access to free babysitting by relatives, their annual child care costs constitute one of the largest household budget items, comparable to housing and taxes.

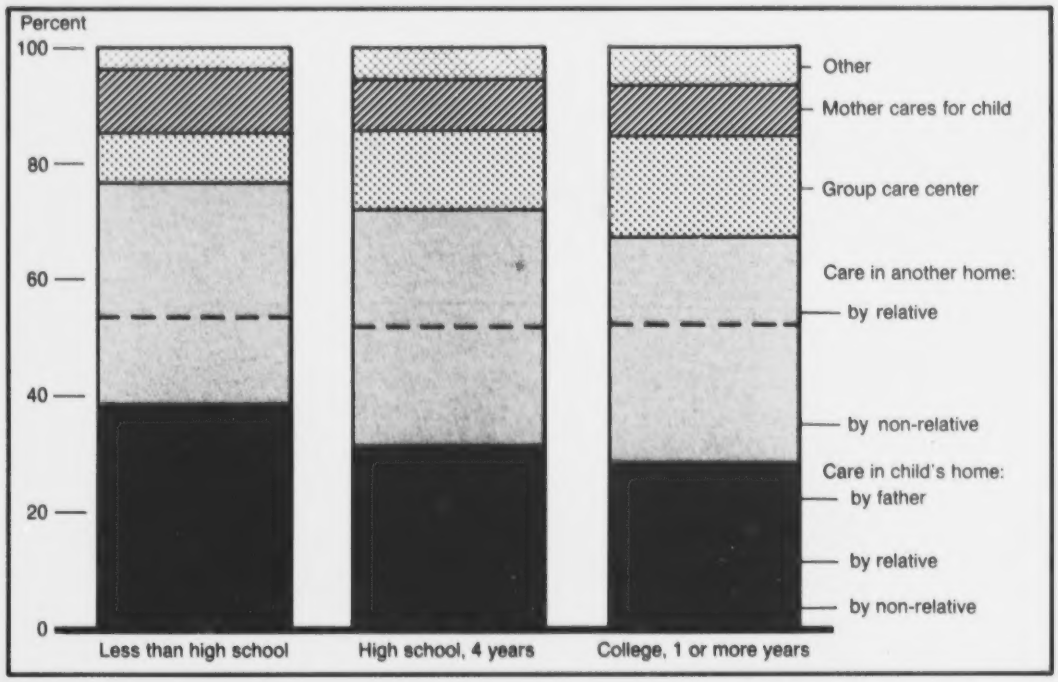
Demand Increasing

Several demographic trends point toward a continued demand for child care services in the future. First, women are having children at older ages, which means that they accumulate substantial work experience before becoming mothers. With greater job experience, they earn higher salaries and are more willing and able to pay for child care. Women's salaries will also be boosted by the tightening of U.S. labor markets in the 1990s when the relatively small "baby bust" cohorts reach working age.

Second, delayed childbearing is associated with fewer children per woman, increasing the odds that a substantial number of mothers will return to work shortly after a child's birth. However, even at the current U.S. average of only 1.8 lifetime births per woman, there will be a steady future supply of children requiring care. The Census Bureau projects about 19 million children under age 5 by 1990. Given current labor force trends, more than one-half of these children will have mothers in the labor force.

Figure 6

Percent distribution of child care arrangements of employed mothers for youngest child under 5 years old, by mother's education, 1982



Source: ref. 4

Third, women are acquiring more education—more than four out of ten women have attended college—and are developing values which deemphasize the role of the traditional housewife. Finally, the high divorce rate and high rate of births to unmarried mothers suggest that the number of unmarried women with children—a source of strong demand for child care—will continue to grow.

Taken together, these trends point to increasing demand for child care services. The future supply of in-home care by friends and relatives is limited, partly because these potential babysitters will also be holding a paying job. We can expect to see more and more families placing the daily care of their preschool-age children in the hands of nonfamily members.

The Child Care Industry

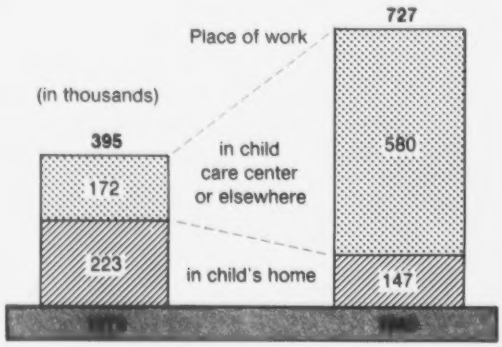
The child care industry is a small but growing segment of the service sector of the American economy. Child care businesses are defined as establishments primarily engaged in the care of infants or children or in providing prekindergarten education. In 1982, there were 30,762 establishments classified as child care businesses, up 24 percent since 1977.

Child care businesses are categorized as being either for-profit (therefore subject to federal income tax) or not-for-profit (tax-exempt). Child care businesses made up 9 percent of all tax-exempt service industry businesses in 1982 and constitute the second largest tax-exempt service industry. But the child care industry is dominated by the for-profit sector. In 1982, about 18,000 child care businesses operated on a for-profit basis—an increase of 28 percent over the 1977 figure. Not-for-profit businesses grew by 19 percent between 1977 and 1982.

Equally impressive gains occurred in the number of persons employed as child care workers. The 1980 census recorded 727,000 persons primarily employed as child care workers, up 84 percent since 1970 (Figure 7). The location of child care employment changed dramatically during this period. In 1970, over half of all child care workers were employed as private household workers. By 1980, only 20 percent were employed in private households, while 80 percent cared for children in another setting, such as their own homes or in a group care center. This shift reflects the general movement of child care services out of the child's home during this period.

Most child care workers are women, 94 percent in 1980. Over 50 percent work just part-time. They earn low salaries; in 1980, the average pay for women working in group centers was only $3.13 per hour. Women who work in residential homes may earn even less and many receive no employee benefits.[11]

Figure 7
Child care workers by place of work, 1970 and 1980



Source: ref. 7

Public Policy Issues

The complex struggle that many women face in trying to combine careers and childbearing raises a number of issues for employers and public policymakers. Indeed, as Secretary of Labor William Brock said in 1986, "It's just incredible that we have seen the feminization of the work force with no more adaptation than we have had. . . . It is a problem of sufficient magnitude that everybody is going to have to play a role: families, individuals, businesses, [and] government."

Flexible Work Schedules. Many employers are experimenting with policies designed to make it easier for women with young children to work. One option is flexible scheduling, which encompasses such arrangements as flexitime and block scheduling. Flexitime typically allows an employee to choose his own work schedule within specified limits. For example, an employee may choose to work from 7 am to 3 pm or from 10 am to 6 pm. Block scheduling allows an employee to compress a full work week into three or four days instead of

At present, child care is seldom offered as an employee fringe benefit.

five. Flexitime and block scheduling enable women to juggle family and job responsibilities to the benefit of both employers and families. An estimated 12 percent of all full-time workers were on flexible work schedules in the early 1980s (almost 8 million employees), up from under 5 percent in 1974.

The most extensive experiment to date with flexible scheduling was conducted by the federal government, which established alternative work schedule arrangements for 325,000 federal employees over a three-year period. A 1981 government report evaluating the success of the program concluded that flexible scheduling "allows employees workable alternatives to enhance the quality of family relationships and child care." Ninety-three percent of employees said that the ability to determine their own schedules was "somewhat important" to "very important." Eighty-three percent of single parents said it was "very important."

Employer-Sponsored Child Care. A second option available to employers involves the provision of child care. Between 1970 and 1986, the number of employers providing child care facilities for the children of their employees increased from under 50 to about 2,000. But a large percentage of these new facilities are located in California and within firms in the health care industry. They represent few of the nation's 6 million employers or the 44,000 companies of 100 or more workers. About 9 percent of all employed women use day care centers as their principal child care arrangement. Only 9 percent of these women use centers in the workplace, while 91 percent rely on centers situated elsewhere. In 1985, only 1 percent of employees in medium and large firms were *eligible* for even partial defrayment of the costs associated with day care for their children. The corresponding figure for professional and administrative employees in these same firms was a mere 2 percent.[12]

There are several reasons why child care is seldom offered as a fringe benefit. The primary reason may be the employers' belief that child care is an expensive benefit that will only be used by a small fraction of their workers. According to a 1984 report issued by the Bureau of National Affairs, "an average of less than four percent of a firm's employees appear to use the [child care] service" when it is available. In addition, an on-site child care facility can mean a great deal of traveling for young children. Relying on employers for child care can complicate parents' decisions about changing jobs. Finally, to the extent that providing convenient child care might encourage employees to become pregnant, it may not seem desirable to employers. In small and medium-size businesses, employee needs for child care will fluctuate from year to year, making operation of a child care service complicated. Nonetheless, most firms that operate or pay for child care facilities for employees' children report reduced rates of lateness, absenteeism, and turnover, and improved employee satisfaction and productivity.

Flexible Benefits Plans. There are other types of child care assistance employers may offer. For example, child care information and referral services are being established by a growing number of employers. These services provide general information on the various types of care available. They may also help employees to set up arrangements.

In all likelihood, child care will be included in many of the flexible fringe benefits plans which are becoming popular. One such plan involves the establishment of "flexible spending accounts." These accounts are maintained by employers on behalf of individual employees to pay for specific benefits such as child care. Funds for the account are deducted from employee paychecks and are not subject to income tax. This lets employees avoid the payment of federal income taxes on the income they intend to spend on child care, giving them a kind of deduction on the cost. The only possible snag relates to an IRS rule that salary reductions not spent for the specific benefit at the end of each year must be forfeited by the employee. However, since child care expenses are

relatively easy to project (easier, say, than expenses for medical care), they fit well into these types of benefits plans. Moreover, Congress and the IRS have recently resolved most issues involving the tax and legal status of flexible benefits plans, paving the way for a major surge in their utilization and in the provision of child care as an employee benefit.[13]

A third set of policies that directly affect child care issues are those governing the use of employee leave. At the present time, most medium and large firms (i.e., firms with at least 100 to 250 employees) provide some form of maternity leave, although few provide paternity leave.[14] However, there is wide variation in whether maternity leave is paid or unpaid, whether other fringe benefits continue while employees are away from work, and whether employees have the right to their old jobs when they return to work. Another important issue involves the use of paid sick leave to stay home and care for ill children. Since most schools and day care centers require parents to keep children home if they show signs of illness, a mother (or less often, father) forfeits salary or annual leave if she cannot use her earned sick leave to care for her ill child. A small but growing number of firms permit employees to use their paid sick leave in this way.

Federal Policies Affecting Child Care. Public policymakers are beginning to respond to the need for relief from the serious financial burden imposed by child care. In 1976, the federal tax code was amended to permit working parents with a dependent child to take a tax credit on child care costs. At the present time, the tax code allows a tax credit of 20 to 30 percent of child care expenses incurred by working parents, depending on income. In 1986, the maximum credit was up to $720 for one dependent child, $1,440 for two or more under age 15. But the total cost of child care remains high, and tax credits offer minimal relief for low-income parents who pay little tax anyway.

Nonetheless, as an employer, the federal government itself has a long way to go in the child care arena. A recent General Accounting Office report estimates that only 1,500 preschool children of federal employees are enrolled in the 28 existing federal on-site day care centers. This represents just 0.2 percent of the estimated 700,000 preschool-age children of federal employees.

Federal involvement in child care was severely curtailed in 1981 when the Title XX program, which

Grandmothers are an important source of child care for many mothers.

provided child care funds for low and moderate income families, was made a block grant program. The funds targeted for child care were cut by $200 million as a result, and the number of children served under the program actually declined in 32 states between 1981 and 1983.

The Child Care Opportunities for Families Act of 1985 contained a provision to restore these cuts but this section failed to pass Congress. However, the 1985 act does provide funds for the training and accreditation of child care workers and for financial assistance to both public and private child care centers. The act also helps disadvantaged mothers to continue their education by authorizing $10 million to colleges and universities for the purchase of slots in licensed child care centers for the children of low-income students.

Despite the federal government's somewhat inconsistent record to date, future federal initiative in these areas seems likely. For example, although it was not voted on, a "maternity/paternity leave" bill was introduced in the House of Representatives in early 1986, under which a working mother or father would be permitted to take up to 18 weeks of unpaid leave to care for a newborn or newly adopted child or for a dependent child who falls seriously ill. Moreover, the bill would have guaranteed them the same or a similar job upon their return to work. The bill's fate may be aided by a landmark U.S. Supreme Court decision in January 1987. In *California Federal Savings and Loan Association v. Guerra* the court upheld a California law requiring most employers to grant pregnant women four months of unpaid disability leave and the right to return to their same jobs.

Learning from Sweden's Experience. Since the end of World War II, Sweden has been faced with chronic labor shortages. The government has eased this shortage by encouraging women to work through, among other measures, the establishment of an extensive network of successful government-supported day care centers. The government has also legislated a variety of other financial incentives and legal guarantees designed to make it easier for women to start a family and continue working. These policies provide for up to nine months of maternity or paternity leave (at 90 percent of full pay) with a guaranteed job upon returning to work, as well as a guarantee that a parent can receive full-time pay for working six-hour days until the child's eighth birthday.[15]

State and Local Government Actions. State and local governments throughout the U.S. are starting to form policies with implications for mothers of small children. Working mothers in five states—California, Hawaii, New Jersey, New York, and Rhode Island—are entitled to paid maternity leave under their short-term disability insurance. In Massachusetts, an experimental program has been established to provide low-interest loans of up to one-quarter million dollars to companies who establish their own child care centers. Two states (New York and California) actively sponsor child care programs for state workers, and four states (Arizona, California, Connecticut, and Florida) provide tax benefits to employers that offer child care assistance. In 1986, Fairfax County, Virginia, created an Employer Child Care Development Council to help arrange corporate child care services. This is among the first such efforts in the nation. Finally, an ordinance passed by the City of San Francisco in October 1985 requires downtown office building developers to either include space for child care facilities in their buildings or to contribute one dollar per square foot of office space to a city fund to finance the construction of inner-city child care facilities.

Some public and private schools provide before and after school care for students, eliminating the need by working mothers to transport their children from school to a babysitter or day care center. As of 1984, however, only 100 of the nation's 15,000 public school systems offered this service.

Some businesses sponsor child care centers right in their office buildings or factories.

The U.S. Supreme Court has upheld a pregnant woman's right to maternity leave.

Outlook for the Future

In the future, tight labor markets will make it harder to replace experienced female employees who leave work to start a family. Employers will have an incentive to cater to the special needs of working mothers. As discussed above, such practices include flexible work schedules, the provision of day care assistance, the establishment of maternity and paternity leave, and the use of employee sick leave to care for sick children. Another possibility is job-sharing, in which two or more part-time employees share one full-time job.

Over the next decade, at least 75 percent of all new jobs are expected to be in the service-producing industries. This rapid growth of service sector jobs, with relatively flexible time requirements, should favor the development of new personnel practices. We can also expect to see more women starting their own businesses and more women and men working at home so they can personally care for their children. Continued low marriage and fertility rates and high divorce rates will also serve to keep women in the labor force.

Most experts agree that women are permanent members of the American labor force. This "feminized work force" can be expected to demand better child care services and seek ways to lessen child care expenses. However, one factor that injects some uncertainty into the future is the Tax Reform Act of 1986, passed by Congress and signed by President Reagan. Designed to relieve some of the tax burden on families, it increases the amount of the income deduction for a dependent child from the 1986 level of $1,080 to $1,900 per child in 1987, with minor increases thereafter.

The new law also makes it less cost effective for some wives to work by eliminating the deduction for married couples when both work. This reinstates the "marriage penalty" by which two-earner couples pay more tax on their combined incomes than they would if they were single and filing separately. Indeed, in signing the tax bill President Reagan said, "We're going to make it economical to raise children again," hoping perhaps for a return to the 1950s era family with one male breadwinner. This could dampen the expected increase in the demand for child care, depending, of course, on how women actually respond to the new tax provisions. Labor force participation by single and low-income mothers is not likely to be affected by these tax changes because, first, they tend to pay less tax anyway, and second, the mother is often the primary breadwinner for her family.

One effect of the "feminization" of the U.S. labor force may be to accelerate change in American personnel practices through enactment of laws favoring working mothers and through direct pressure on employers. Existing evidence suggests that businesses owned or managed by women are more likely than those run by men to adopt innovative personnel policies, especially policies important to women. As more women enter the highest levels of American business and as "old-girl" networks achieve more clout in organizational power structures, the many factors that hinder women's abilities to combine careers and families may well subside.

Overall, the increased entry of women into the labor force has altered the American labor system irrevocably in terms of the work that gets done, the profile of the workers, and the terms and conditions under which they do it. Rising wages and innovative personnel practices should help to relieve both the financial burden and complex logistics of child care arrangements. While gender will probably never completely disappear as an important labor market variable, its significance will almost certainly be eroded. But for mothers of young children, adequate child care will always remain paramount in their ability to compete for jobs on an equal basis with men.

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